

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Washington, D.C., USA

Meeting Date: March 14–17, 2023

Agenda Item 5

For:

- ☒ Approval
☐ Discussion
☐ Information

CONCEPTUAL FRAMEWORK–LIMITED SCOPE UPDATE (CF-LSU) – PHASE TWO: ELEMENTS

Project summary	The project objective is to update the Conceptual Framework for a limited number of issues based on the criteria of urgency, consequences, feasibility, and prevalence, with an emphasis on the first three of these criteria.	
Project Staff Lead	John Stanford, Senior Advisor	
Board sponsor	Ian Carruthers, IPSASB Chair (Board Sponsor)	
Meeting objectives	Topic	Agenda Item
Project management	Conceptual Framework–Limited Scope Update (CF-LSU)–Next Stage: Project Roadmap	5.1.1
	Instructions up to Previous Meeting	5.1.2
	Decisions up to Previous Meeting	5.1.3
Decisions required at this meeting	Approval of Revised Chapter 5, <i>Elements in Financial Statements</i>	5.2.1
Other supporting items	Updated Chapter 5, <i>Elements in Financial Statements</i> (Clean)	5.3.1
	Updated Chapter 5, <i>Elements in Financial Statements</i> (Changes Marked-Up from February Check-In Meeting Version)	5.3.2

CONCEPTUAL FRAMEWORK NEXT STAGE: PROJECT ROADMAP

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
March 2020	1. Approve Limited Scope Update of Conceptual Framework Project Brief
June 2020	1. Discussion of Issues
September 2020	1. Discussion of Issues 2. Review [draft] Exposure Draft 76, <i>Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements</i>
October 2020	1. Discussion of Issues
December 2020	1. Approve Exposure Draft 76
February 2021	1. Finalize remaining instructions
March 2021	1. Discussion of Issues
June 2021	1. Discussion of Issues
September 2021	1. Discussion of Issues 2. Review [draft] Exposure Draft 81, <i>Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements</i>
October 2021	1. Discussion of Issues 2. Review [draft] Exposure Draft 81
December 2021	1. Approve Exposure Draft 81.
February 2022	1. Publication of Exposure Draft 81
March 2022	1. First Review of Responses to Exposure Draft 76 2. Discussion of Issues
June 2022	1. Second Review of Responses to Exposure Draft 76 2. Discussion of Issues 3. Review Revised Chapter 7, <i>Measurement of Assets and Liabilities in Financial Statements</i>
September 2022	1. Third Review of Responses to ED 76: SMCs on Replacement Cost and Value in Use 2. Discussion of Issues 3. Initial Review of Responses to Exposure Draft 81
December 2022	1. Approve Revised Chapter 7, <i>Measurement of Assets and Liabilities in Financial Statements</i> 2. Second Review of Responses to Exposure Draft 81 3. Discussion of Issues
February 2023	1. Third Review of Responses to Exposure Draft 81 2. Discussion of Issues
March 2023	1. Fourth Review of Responses to Exposure Draft 81 2. Discussion of Issues 3. Review Revised Chapter 3, <i>Qualitative Characteristics</i> , 4. Approve Revised Chapter 5, <i>Elements in Financial Statements</i>
May 2023	1. Publication of revised Chapter 7, <i>Measurement of Assets and Liabilities in Financial Statements</i>
May 2023	1. Publication of revised Chapter 5, <i>Elements in Financial Statements</i>

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June 2023	1. Approve Revised Chapter 3, <i>Qualitative Characteristics</i> , and Chapter 5, <i>Elements in Financial Statements</i>
July 2023	1. Publication of Revised, Chapter 3, <i>Qualitative Characteristics</i> , and Chapter 5, <i>Elements in Financial Statements</i>

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
February 2022	<ol style="list-style-type: none"> 1. Clarify in the Basis for Conclusions that different units of account are possible for initially recognizing and measuring certain assets and liabilities. 2. Consider adding an example to contextualize when goods and services are received and immediately consumed and give rise to a right to obtain economic benefits. 	<ol style="list-style-type: none"> 1. See paragraph BC5.35E in draft Chapter 5 at Agenda Items 5.3.1 and 5.3.2. 2. Sentence noting that approach consistent with that for certain services in-kind at the standards level added to third bullet point of paragraph BC5.3F in draft Chapter 5 at Agenda Items 5.3.1 and 5.3.2.
December 2022	<ol style="list-style-type: none"> 1. Carry out further analysis of whether, and, if so, when an asset of the reporting entity arises from employee services and services in-kind. 	<ol style="list-style-type: none"> 1. Agenda Item 3.2.3.
September 2022	<ol style="list-style-type: none"> 1. No Instructions 	<ol style="list-style-type: none"> 1. N/A
February 2022	<ol style="list-style-type: none"> 2. All instructions provided up until February 2021 were reflected in ED 81, <i>Conceptual Framework Update: Chapter 3, Qualitative Characteristics Chapter 5, Elements in Financial Statements.</i> 	<ol style="list-style-type: none"> 2. All instructions provided up until February 2021 were reflected in the ED 81, <i>Conceptual Framework Update: Chapter 3, Qualitative Characteristics Chapter 5, Elements in Financial Statements.</i>

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
February 2023	<ol style="list-style-type: none"> Guidance on binding arrangements that are equally unperformed by both parties should be included in the Conceptual Framework, and presented in a separate sub-section entitled '<i>Binding Arrangements that are Equally Unperformed</i>' rather than in the sub-section on '<i>Unit of Account</i>' Guidance on unit of account proposed in ED 81 should be included in revised Chapter 5, subject to the relocation to a separate sub-section of the paragraphs on binding arrangements that are that are unperformed or equally performed by both parties. 	<ol style="list-style-type: none"> Separate sub-section in paragraphs 5.26I and 5.26J of draft Chapter 5 at Agenda Item 3.3.1 and 3.3.2. Paragraph BC 5.35I. Sub-heading in Basis for Conclusions has been also been changed to '<i>Binding Arrangements that are Equally Unperformed</i>'. See above on relocation of guidance on binding arrangements that are equally unperformed.
December 2022	<ol style="list-style-type: none"> The definition of a liability proposed in ED 81, <i>Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements</i>, should be adopted in the updated Chapter 5. The guidance proposed in ED 81 on a 'Transfer of Resources' in the context of a liability should be included in the updated Chapter 5. The expanded and restructured guidance proposed in ED 81 on a liability, which aligns with the components of the revised definition approved under (a), should be included in the in the updated Chapter 5. The rights approach to resources in the context of an asset proposed in ED 81 should be adopted in Chapter 5 subject to consideration of whether an asset of the reporting entity arises from employee services and services in-kind. 	<ol style="list-style-type: none"> Paragraph BC 5.18H of Agenda Item 3.3.1. Paragraph BC5.19E-BC5.19G of Agenda Item 3.3.1. Paragraph BC 5.18J of Agenda Item 3.3.1 Paragraph BC5.3H. On the issue of whether an asset of the reporting entity arises from employee services and services in-kind see Agenda Item 3.2.2.
September 2022	<ol style="list-style-type: none"> No decisions 	<ol style="list-style-type: none"> N/A
February 2022	<ol style="list-style-type: none"> All decisions provided up until February 2022 were reflected in the ED 81, <i>Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements</i>. 	<ol style="list-style-type: none"> N/A

Approval of Conceptual Framework, Chapter 5, *Elements in Financial Statements*, of Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

Question

1. Does the IPSASB:
 - (a) Agree with IPSASB's Program and Technical Director's assertion that due process has been followed effectively in developing [draft] Chapter 5, *Elements in Financial Statements* of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*; and
 - (b) Vote to approve Chapter 5.

Recommendation

1. Staff and Task Force Chair recommend the IPSASB vote to approve [draft] Chapter 5.

Background

2. The Agenda Item deals with the due process for approval of [draft] Chapter 5.

Analysis

Due Process

3. The IPSASB has followed due process throughout this project. As such, the final steps in due process are noted below. The full analysis supporting the assertions and recommendations are noted in [Appendix A](#).
4. The IPSASB released Exposure Draft (ED) 81, *Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements*, in January 2022. The IPSASB received 27 comment letters.
5. During the second half of 2022 and the first quarter of 2023:
 - (a) Staff reviewed and analyzed the 27 comment letters received; and
 - (b) The IPSASB discussed the issues raised by respondents to ED 81.
6. Staff did not identify any issues that preclude the approval of [draft] Chapter 5 at this meeting.
7. The Conceptual Framework is not an IPSASB standard and is non-authoritative. Therefore, the revised [draft] Chapter 5 is not subject to IPSASB's Due Process and Working Procedures. However the steps in IPSASB's [Due Process and Working Procedures](#) have been followed, because they represent good practice. The necessary steps to facilitate its approval (bolded procedures require action by the IPSASB) are:
 - (a) **Staff present the revised content of the exposed Chapter 5, *Elements in Financial Statements*, of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*, to the IPSASB;**

See Agenda Item 5.3.1 for CLEAN version of Chapter 5 of the Conceptual Framework.

See Agenda Item 5.3.2 for TRACKED CHANGED version of Chapter 5 of the Conceptual Framework.

Agenda Item 5.2.1

Please note this project makes updates to Chapter 5 of the Conceptual Framework. This project is not replacing the existing Chapter 5. As a result, similar to annual improvements projects, new text is underlined and deleted text is struck through. In addition, text retained from the 2014 Conceptual Framework, but relocated, is double underlined. This allows stakeholders to see the amendments to Chapter 5 of the Conceptual Framework.

- (b) **The IPSASB Program and Technical Director advises the IPSASB on whether due process has been followed effectively;**

The IPSASB Program and Technical Director asserts that due process has been followed effectively in developing [draft] Chapter 5.

- (c) **The IPSASB confirms whether or not it is satisfied the due process has been followed effectively;**

The IPSASB Program and Technical Director, through the IPSASB Chair, asks the IPSASB for confirmation on due process.

- (d) **The IPSASB votes on the approval of Chapter 5 in accordance with the IPSASB's [terms of reference](#);**

Staff, in consultation with the Board Chair, recommend the approval of [draft] Chapter 5.

- (e) **The IPSASB considers whether there has been a substantial change to the exposed document such that a vote on re-exposure is necessary;**

Staff confirms that there have been no substantial changes that would require a vote on re-exposure by the IPSASB.

- (f) **The IPSASB sets the effective date of the application of Chapter 5;**

Chapter 1, *Role and Authority of the Conceptual Framework*, deals with the Conceptual Frameworks' role and authority within IPSASB's literature. Paragraph 1.1 notes that the role of the framework is to establish concepts that underpin general purpose financial reporting by public sector entities that adopt the accrual basis of accounting and that the IPSASB will apply these concepts in developing International Public Sector Accounting Standards (IPSAS) and Recommended Practice Guidelines (RPGs).

Paragraph 1.2 notes that the Conceptual Framework does not establish authoritative requirements for financial reporting by public sector entities that adopt IPSAS, nor does it override the requirements in IPSAS or RPGs. For these reasons, the 2014 Conceptual Framework did not have an effective date. The revised Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*, approved in December 2022 did not have an effective date. Staff and Board Sponsor recommend that the revised Chapter 5 be applicable when approved and that it be included in the 2023 IPSASB Handbook to replace the 2014 version of Chapter 5.

- (g) **The IPSASB issues Basis for Conclusions with respect to comments received on an exposure draft.**

Staff highlights that [draft] Chapter 5 includes the Basis for Conclusions (see Agenda Item 5.3.1).

Decision Required

8. Does the IPSASB agree with the staff [recommendations](#)?

Appendix A – Detailed Due Process for Approval of [draft] Chapter 5, *Elements in Financial Statements of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*

1. Chapter 5, *Elements in Financial Statements* is an amended version of Chapter 5 in the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. The IPSASB has followed due process throughout this project. The final steps in due process are detailed below.
2. The IPSASB released Exposure Draft (ED) 81, *Conceptual Framework Update: Chapters*, in January 2022. The IPSASB received 27 comment letters.
3. In the second half of 2022 and the first quarter of 2023:
 - (a) Staff reviewed and analyzed the 27 comment letters received; and
 - (b) The IPSASB discussed the issues raised by respondents to ED 81 related to Elements.
4. When the staff are satisfied a proposed new final international standard is ready for approval, IPSASB's [Due Process and Working Procedures](#) sets out the necessary steps to facilitate its approval (bolded procedures require action by the IPSASB). As noted in Agenda Item 5.2.1 the IPSASB has followed these steps, regardless of the non-authoritative status of the Conceptual Framework:
 - (a) **Staff present the revised content of the exposed international standard to the IPSASB;**

Includes all changes in mark-up from the version presented at the February 2023 Check-In meeting and is consistent with staff recommendations in this Agenda Item. Changes to ED 81 reflect matters raised in comment letters. No principles were altered.
 - (b) **The IPSASB Program and Technical Director advises the IPSASB on whether due process has been followed effectively;**

The IPSASB Program and Technical Director, asserts due process has been followed effectively, noting that:

 - ED 81 was issued for consultation;
 - Responses to the ED were received and made publicly available on the [IPSASB website](#);
 - The IPSASB has deliberated significant matters raised in the comment letters related to Chapter 5 at its September 2022, December 2022 and February 2023 meetings, and decisions taken have been minuted; and
 - The IPSASB will be asked to consider whether there are any issues raised by respondents, in addition to those summarized by staff, that it considers should be discussed by the IPSASB and agree there are none.
 - (c) **The IPSASB confirms whether or not it is satisfied the due process has been followed effectively;**

The IPSASB Chair asks the IPSASB confirmation on due process.
 - (d) **The IPSASB votes on the approval of amended Chapter 5, *Elements in Financial Statements* in accordance with its [terms of reference](#);**

Staff, in consultation with the Task Force Chair, recommend the approval of Chapter 5.

- (e) **The IPSASB considers whether there has been a substantial change to the exposed document such that a vote on re-exposure is necessary;**

Staff confirm that there have been no substantial changes that would require a vote on re-exposure by the IPSASB.

The IPSASB Program and Technical Director, in consultation with the Chair of the IPSASB, advises the IPSASB that no substantial changes have been made to Chapter 5 that necessitate re-exposure.

Changes to ED 81 reflect matters raised in comment letters. These changes enhance the interpretation of ED 81 to help the IPSASB and constituents to apply the guidance in Chapter 5 in practice. No principles were altered.

- (f) **The IPSASB sets the effective date of the application of Chapter 5;**

The Conceptual Framework is not a standard and is non-authoritative. The 2014 Conceptual Framework did not include an effective date. The revised Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*, which was approved in December 2022 did not include an effective date. Staff and Board Sponsor therefore do not think it appropriate to include an effective date in revised Chapter 5. A sentence has been added to paragraph BC 5.1 of Chapter 5 stating that the IPSASB will start using the revised Chapter 5 immediately when it is issued.

- (g) **The IPSASB issues Basis for Conclusions with respect to comments received on an exposure draft.**

Staff highlights that [draft] Chapter 5 includes the Basis for Conclusions (see Agenda Item 5.3.1).